

August 2011

DEFENSE LOGISTICS

Actions Needed to Improve the Marine Corps' Equipment Reset Strategies and the Reporting of Total Reset Costs



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August 2011

DEFENSE LOGISTICS

Actions Needed to Improve the Marine Corps' Equipment Reset Strategies and the Reporting of Total Reset Costs

Why GAO Did This Study

The U.S. Marine Corps received approximately \$16 billion in appropriated funds between fiscal years 2006 and 2010 for reset of aviation and ground equipment that has been degraded, damaged, and destroyed during overseas contingency operations. Reset encompasses activities for repairing, upgrading, or replacing equipment used in contingency operations. The Marine Corps continues to request funding to reset equipment used in Afghanistan. GAO initiated this review under its authority to address significant issues of broad interest to the Congress. GAO's objectives were to evaluate the extent to which the Marine Corps has made progress toward (1) developing effective reset strategies for both aviation and ground equipment used in Afghanistan and (2) providing accurate estimates of total reset costs.

What GAO Recommends

GAO recommends that the Secretary of Defense (1) establish a timeline for issuing formal reset planning guidance and a ground equipment reset strategy for equipment used in operations in Afghanistan, (2) provide linkages between the ground equipment reset strategy and the modernization plan, and (3) develop and publish a DOD definition of reset for use in the DOD overseas contingency operations budgeting process. DOD concurred with one and partially concurred with two of the recommendations.

View GAO-11-523 or key components. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

What GAO Found

The Marine Corps has developed a strategic plan that addresses the reset of aviation equipment used in operations in Afghanistan and includes the elements of a comprehensive, results-oriented strategic planning framework. However, a reset strategy for ground equipment has not yet been developed. The Marine Corps is taking steps to develop such a strategy; however, the timeline for completing and issuing this strategy is uncertain. Although Marine Corps officials agreed that a reset strategy for ground equipment will be needed, they stated that they do not plan to issue a strategy until there is a better understanding of the dates for drawdown of forces from Afghanistan. While more specific drawdown information is desirable and will be needed to firm up reset plans, the President stated that troops would begin to withdraw in July 2011, working towards a transfer of all security operations to Afghan National Security Forces by 2014. Until the ground equipment reset strategy is issued, establishing firm plans for reset may be difficult for the Marine Corps Logistics Command to effectively manage the rotation of equipment to units to sustain combat operations. It is also uncertain to what extent the Marine Corps plans to align its ground equipment reset strategy with its ground equipment modernization plan. GAO found that the Iraq reset strategy for ground equipment contained no direct reference to the service's equipment modernization plans, leaving unclear the relationship between reset and modernization. A clear alignment of the ground equipment reset strategy for Afghanistan and modernization plans would help to ensure that the identification, development, and integration of warfighting capabilities also factor in equipment reset strategies so that equipment planned for modernization is not unnecessarily repaired.

The total costs of reset estimated by the Marine Corps may not be accurate or consistent because of differing definitions of reset that have been used for aviation and ground equipment. These differing definitions exist because DOD has not established a single standard definition for use in DOD's budget process. Specifically, the Marine Corps does not include aviation equipment procurement costs when estimating total reset costs. According to Marine Corps officials, procurement costs are excluded because such costs are not consistent with its definition of aviation equipment reset. In contrast, the Marine Corps' definition of reset for ground equipment includes procurement costs to replace theater losses. However, GAO found that the Office of the Secretary of Defense Director of Cost Assessment and Program Evaluation had obtained a procurement cost estimate for Marine Corps aviation equipment as part of its efforts to track reset costs for the department. DOD's Resource Management Decision 700 tasks the Office of the Secretary of Defense Director of Cost Assessment and Program Evaluation to provide annual departmentwide reset updates. Based on this tasking, the Marine Corps provided total reset costs that included procurement costs for equipment replacement, as well as maintenance costs, for both ground and aviation equipment. GAO was not able to determine the reasons for this apparent inconsistency between what the Marine Corps considers to be valid aviation equipment reset costs and what was reported in the 2010 DOD Reset Planning Projections annual update. Without a single standard definition for reset for the services to use, the Marine Corps may continue to report its total reset costs for aviation equipment inconsistently.

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**United States Government Accountability Office
Washington, DC 20548**

August 4, 2011

Congressional Addressees

The U.S. Marine Corps received approximately \$16 billion in appropriated funds from fiscal year 2006 through fiscal year 2010 for the reset of aviation and ground equipment that has been degraded, damaged, and destroyed during overseas contingency operations. The service has requested a total of \$4.6 billion in reset funds for fiscal years 2011 and 2012. Reset encompasses activities for repairing, upgrading, or replacing equipment used in contingency operations. Developing and implementing effective reset strategies for its equipment is critical to the Marine Corps' ability to maintain, restore, and enhance its combat capability. In addition, providing accurate estimates of total reset costs enables decision makers to evaluate trade-offs and make the most effective use of defense dollars in light of the nation's long-term fiscal challenges. As the Marine Corps continues to support overseas contingency operations and reset equipment, it also has efforts under way to rebalance its forces, posture it for the future, and experiment with and implement new capabilities and organizations.

This report examines Marine Corp equipment reset issues for operations in Afghanistan. We performed this review under the authority of the Comptroller General to conduct evaluations on his own initiative to address significant issues of broad interest to the Congress. Our specific objectives were to evaluate the extent to which the Marine Corps has made progress toward (1) developing effective reset strategies for both aviation and ground equipment used in Afghanistan, and (2) providing accurate estimates of total reset costs. We plan to report separately on Army equipment reset issues.

To assess progress toward developing effective reset strategies, we identified existing reset strategies for equipment used in Afghanistan, and assessed these strategies against the elements of a comprehensive, results-oriented strategic planning framework that we have identified in our prior work.¹ Where strategies had not yet been developed, we collected information regarding ongoing reset planning efforts from Marine Corps officials and discussed with them the process used and the

¹ GAO, *Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans*, GAO/GGD-97-180 (Washington, D.C.: Sept. 16, 1997).

factors considered when developing a reset strategy. As a basis for assessing current reset planning efforts for Afghanistan, we also reviewed the reset strategy that the Marine Corps prepared for equipment used in Iraq. To assess the Marine Corps' estimates of total reset costs, we obtained recent cost estimates and compared these with Department of Defense (DOD) budget formulation guidance, as well as with DOD guidance provided to the services on preparing annual updates of total reset costs. We obtained documents detailing the processes the Marine Corps uses to estimate reset costs for ground and aviation equipment, and we obtained additional insight and information through interviews with Marine Corps officials who are involved in developing these estimates. For details on our scope and methodology, see appendix I.

We conducted this performance audit from November 2010 through August 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Marine Corps' Definitions of Reset for Aviation and Ground Equipment

Reset encompasses activities related to the repair, upgrade, or replacement of equipment used in contingency operations. Aviation and ground equipment are managed separately within the Marine Corps,² and different definitions of reset are used for each. Marine Corps officials defined aviation equipment reset as an aircraft material condition and readiness sustainment effort that is required due to prolonged combat operations. Included are actions to maintain, preserve, and enhance the capability of aircraft. Ground equipment reset is defined by the Marine Corps as actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission.³ It encompasses maintenance and supply activities that restore and enhance equipment that was destroyed, damaged, stressed, rendered obsolete, or worn out

² Aviation equipment is managed by Deputy Commandant, Aviation, and ground equipment is managed by Deputy Commandant, Installations and Logistics.

³ U.S. Marine Corps, *OIF Ground Equipment Reset Plan* (June 16, 2009).

beyond economic repair⁴ due to combat operations by repairing, rebuilding, or procuring replacement equipment. Also included as part of ground equipment reset is recapitalization (rebuild or upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to near-original condition.

Reset Budget for Fiscal Years 2009 through 2012

The Marine Corps's equipment reset budget totals more than \$8 billion for fiscal years 2009 through 2012.⁵ Maintenance-related activities included as part of reset are funded from operations and maintenance appropriations, while most recapitalization⁶ and all acquisitions of new equipment as part of reset are funded from procurement appropriations. Reset funds are requested and budgeted separately for aviation and ground equipment.

- Aviation equipment: The Marine Corps' aviation equipment reset budget was approximately \$66.7 million in fiscal year 2009 and approximately \$57.8 million in fiscal year 2010. The Marine Corps requested approximately \$56.1 million for fiscal 2011 and has requested \$45.3 million for fiscal year 2012 to reset aviation equipment. As discussed later in this report, reset funding for aviation equipment covers only operations and maintenance appropriations and excludes procurement appropriations.
- Ground equipment: The Marine Corps' ground equipment reset budget was approximately \$2.2 billion in fiscal year 2009 and approximately \$1.3 billion in fiscal year 2010. The Marine Corps requested approximately \$2.6 billion for fiscal year 2011 and has requested \$1.8 billion for fiscal year 2012 to reset ground equipment. This funding includes funds requested as part of operations and maintenance appropriations and procurement appropriations. The fiscal year 2011 request included a \$1.1 billion increase in procurement funding over fiscal year 2010, which the Marine Corps

⁴ The term beyond economic repair refers to equipment that is identified as obsolete or uneconomical to repair which will have procurement/replacement as its reset action. Depot maintenance actions are conducted if the estimated cost of repair for the equipment is 65 percent or less than the latest acquisition cost.

⁵ The Marine Corps's equipment reset budget totaled more than \$12 billion for fiscal years 2006 through 2008.

⁶ Equipment rebuild activities are funded with operations and maintenance appropriations, and equipment upgrades are funded with procurement appropriations.

attributed to increased equipment combat losses and to the replacement of equipment that is beyond economic repair.

Appendix II provides further detail on reset funding for aviation and ground equipment.

Elements of Sound Strategic Management Planning

Our prior work has shown that sound strategic management planning can enable organizations to identify and achieve long-range goals and objectives.⁷ We have identified six elements that should be incorporated into strategic plans to establish a comprehensive, results-oriented framework—an approach whereby program effectiveness is measured in terms of outcomes or impact. These elements follow:

- (1) Mission statement: A statement that concisely summarizes what the organization does, presenting the main purposes for all its major functions and operations.
- (2) Long-term goals: A specific set of policy, programmatic, and management goals for the programs and operations covered in the strategic plan. The long-term goals should correspond to the purposes set forth in the mission statement and develop with greater specificity how an organization will carry out its mission.
- (3) Strategies to achieve the goals: A description of how the goals contained in the strategic plan and performance plan are to be achieved, including the operational processes, skills and technology, and other resources required to meet these goals.
- (4) External factors that could affect goals: Key factors external to the organization and beyond its control that could significantly affect the achievement of the long-term goals contained in the strategic plan. These external factors can include economic, demographic, social, technological, or environmental factors, as well as conditions or events that would affect the organization's ability to achieve its strategic goals.
- (5) Use of metrics to gauge progress: A set of metrics that will be applied to gauge progress toward attainment of the plan's long-term goals.
- (6) Evaluations of the plan to monitor goals and objectives: Assessments, through objective measurement and systematic analysis, of the manner

⁷ GAO/GGD-97-180.

and extent to which programs associated with the strategic plan achieve their intended goals.

Prior GAO Reviews of Equipment Reset

Over the past several years we have reported on equipment reset issues. In 2007, for example, we reported that the Marine Corps could not be certain that its reset strategies would sustain equipment availability for deployed units as well as units preparing for deployment, while meeting ongoing operational requirements.⁸ We have also made recommendations aimed at improving DOD's monthly cost reports for reset and defining the types of costs that should be included in the base defense budget rather than funded from supplemental appropriations for contingency operations. Specifically, we recommended DOD amend its Financial Management Regulation to require that monthly Supplemental and Cost of War Execution Reports identify expenditures within the procurement accounts for equipment reset at more detailed subcost category levels, similar to reporting of obligations and expenditures in the operation and maintenance accounts.⁹ DOD initially disagreed with this recommendation but later revised its Financial Management Regulation, expanding the definition of acceptable maintenance and procurement costs and directing the military services to begin including "longer war on terror" costs in their overseas contingency operations funding requests. We subsequently recommended that DOD issue guidance defining what constitutes the "longer war on terror," to identify what costs are related to that longer war and to build these costs into the base defense budget.¹⁰ While the department concurred with this recommendation and stated that it has plans to revise its Financial Management Regulation accordingly, it has not yet done so.

Budget Formulation Guidance and Estimating Reset Costs

The Office of Management and Budget (OMB) has issued budget formulation guidance for DOD that addresses overseas contingency operations, including reset funding. Guidance issued in February 2009 provided new criteria for DOD to use when preparing its budget request to

⁸ GAO, *Defense Logistics: Army and Marine Corps Cannot Be Assured That Equipment Reset Strategies Will Sustain Equipment Availability While Meeting Ongoing Operational Requirements*, GAO-07-814 (Washington, D.C.: Sept. 19, 2007).

⁹ GAO-07-814.

¹⁰ GAO, *Overseas Contingency Operations: Funding and Cost Reporting for the Department of Defense*, GAO-10-288R (Washington, D.C.: Dec. 18, 2009).

assess whether funding, including funding for reset, should be requested as part of the base budget or as part of the budget for overseas contingency operations.¹¹ The criteria identified geographic areas where overseas contingency operations funding could be used; provided a list of specific categories of spending that should be included in the overseas contingency budget, such as major equipment repairs, ground equipment replacement, equipment modifications, and aircraft replacement; and identified certain spending that should be excluded from the overseas contingency operations budget (i.e., should be included in the base budget) such as funding to support family services at home stations. For example, funding is excluded for the replacement of equipment losses already programmed for replacement in the Future Years Defense Plan. In September 2010, OMB issued updated criteria to, among other things, clarify language and eliminate areas of confusion.

DOD has also issued its own budget formulation guidance for overseas contingency operations. In December 2009, DOD issued Resource Management Decision 700 to regulate the funding of the military services' readiness accounts and to require that significant resources from the overseas contingency operations funding be moved into the base defense budget. Specifically, the services' 2012 Program Objective Memorandum submissions for overseas contingency operations funding are restricted to resource levels appropriate for planned and projected troop levels. To facilitate the implementation of this guidance within the department, Resource Management Decision 700 outlines several actions for organizations to take. For example, it directed the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, in coordination with the Director of Cost Assessment and Program Evaluation, the military services, the DOD Comptroller, and the Joint Staff, to conduct periodic reviews of the services' in-theater maintenance activities and reset maintenance actions that include an assessment of the relationship between maintenance-funded base programs and contingency operations. This assessment was provided to the Deputy Secretary of Defense in July 2010.

The Director of Cost Assessment and Program Evaluation tracks estimated total reset costs across the department based on data provided by the services. The total reset costs are the amount of funding needed to

¹¹ OMB, *Criteria for War/Overseas Contingency Operations Funding Requests* (February 2009).

reset all equipment used in contingency operations if the operations were to cease. Specifically, the total reset costs equal the sum of the annual unbudgeted reset liability and the annual budgeted reset. The annual unbudgeted reset liability is the amount of equipment eligible for reset that stays in theater and is not reset during the budget year, based on operational decisions. The annual budgeted reset is the amount of equipment planned to return from operations that requires funds budgeted for reset.

Marine Corps Processes for Estimating Total Reset Costs

As part of its ground equipment reset strategy for Iraq, the Marine Corps developed the Reset Cost Model to generate cost estimates for the service's supplemental budget requests. Additionally, the Reset Cost Model allows the Marine Corps to estimate reset costs for ground equipment, including budgeted and unbudgeted reset costs. Since the Reset Cost Model is focused on ground equipment employed in the U.S. Central Command area of responsibility, the Marine Corps continues to use the Reset Cost Model to develop overseas contingency operations budget requests for ground equipment used in Afghanistan.

The cost estimates generated by the Reset Cost Model are based on the four possible reset actions:

- First, equipment returning from theater is inspected to determine if depot-level repairs are required. Depot maintenance actions are conducted if the estimated cost of repair for the equipment is 65 percent or less than the latest acquisition cost.
- Second, ground equipment used in operations is evaluated at various locations throughout the logistics chain to determine if the equipment requires field-level maintenance. These maintenance actions are conducted by operating forces.
- Third, upon return to the continental United States, equipment identified as obsolete or uneconomical to repair is replaced through procurement as its reset action.
- Fourth, if equipment acquired for combat operations does not have a long-term requirement within the Marine Corps, no reset maintenance actions are taken unless there is an immediate requirement in another campaign or theater of operations.

Estimating aviation equipment reset costs follows a separate process. For aviation equipment reset, the Marine Corps has a process for requirements determination, budgeting, and execution, all of which are

included in the annual budget process. According to Navy and Marine Corps officials, a clearly defined process is used to determine reset costs for aviation equipment that includes requirements generated from the fleet while working closely with the Chief of Naval Operation Fleet Readiness Division and each of the program offices to determine current and future reset requirements. Overseas contingency costs—including reset costs—are generated using issue sheets that record information on each item such as the categorization of funding, the amount of funding requested for a specific item, the number of items requested, and the cost per unit. Once the issue sheets are generated, Headquarters, Marine Corps, and the Commander of Naval Air Forces prioritize the issue sheets and provide a finalized list of the funding priorities according to current needs for which future funding is allocated.

The Marine Corps Has a Reset Strategy for Aviation Equipment Used in Afghanistan and Plans to Develop a Reset Strategy for Ground Equipment

Aviation Equipment Reset Strategy Incorporates Elements Needed for a Comprehensive, Results-Oriented Framework

The Marine Corps has developed an annual aviation plan¹² and an aviation reset program policy¹³ that together constitute its reset strategy for aviation equipment used in Afghanistan. Although separate documents, the annual aviation plan and aviation reset program policy are linked through the aviation plans' reference to the aviation reset policy. Our evaluation of this reset strategy shows that it incorporates the six elements of a comprehensive, results-oriented strategic planning

¹² U.S. Marine Corps, *FY 2011 Marine Aviation Plan* (September 2010). The aviation modernization plan, which is issued by the Deputy Commandant for Marine Corps Aviation, describes Marine Corps aviation policy, program decisions, and plans for modernization and provides a method to introduce new aircraft and improved capabilities.

¹³ U.S. Marine Corps, *Aviation Reset Program Policy* (April 2010). An addendum to the February 15, 2009, *Aviation Reset Program Policy*.

framework. For example, the reset strategy establishes goals and associated time frames for completing detailed reviews of aircraft and aircraft components and transitioning to future aircraft. It also provides strategies for accomplishing key tasks such as scheduling inspections, as well as performance measures and targets. (See table 1.)

Table 1: Incorporation of Strategic Management Planning Elements into the Marine Corps' Aviation Equipment Reset Strategy

Strategic planning element	Examples of planning element in aviation equipment reset strategy
Mission statement	The strategy provides the Marine Corps vision for reset to sustain and enhance the material condition of the Marine Corps' overseas contingency operations aircraft. The strategy also includes details regarding activities such as inspection, cleaning, repair, and select mandatory parts replacement to enhance/sustain aircraft. This improves aircraft availability and reduces the maintenance burden on Marines who are tasked with maintaining aircraft equipment at a fully mission-capable status.
Long-term goals	The strategy includes the goal of having scheduled maintenance activities that sustain an aircraft to an established standard, which are performed on all aircraft in direct support of overseas contingency operations. The strategy also includes a detailed review of aircraft and aircraft components including the timelines for transition for future and legacy aircraft. The Marine Corps aviation plan—which is directly linked to the aviation reset strategy—serves as another way for the Marine Corps to achieve its long-term goals. The Marine Corps aviation plan provides a detailed description of the plans for modernization for aircraft and equipment transitions over the next 10 years.
Strategies to achieve goals	The strategy includes specific maintenance events that occur throughout the deployment of the aircraft. The reset maintenance events for aviation equipment are divided into reset categories, such as in-theater sustainment and reconstitution. In-theater sustainment inspections are scheduled for all aircraft used in operations in Afghanistan that are on an extended rotation exceeding 1 year. Reconstitution inspections are scheduled following a deployment that had at least 60 consecutive days of land-based operations. These milestones are set for the deployment and postdeployment phases of aviation equipment and serve as a method to evaluate plans and monitor progress toward meeting goals and objectives.
External factors that could affect goals	The strategy includes consideration of, and plans for, dealing with external factors that could affect goals, such as time constraints for conducting required maintenance. The use of contractor field teams is aimed at reducing the burden of nonreset maintenance actions on Marines. The strategy notes that contractor field teams may perform nonreset maintenance actions when not actively involved in equipment reset. This may positively or negatively affect the time frames for nonreset maintenance actions depending on the workload.
Use of metrics to gauge progress	The strategy provides time frames to gauge the process for the completion of maintenance performed on aircraft returning from overseas contingency operations. The strategy states that an inspection must be performed on all aircraft returning from operations that have had at least 60 consecutive days of land-based operations in those operational areas. In addition, it states that the maintenance will commence no earlier than the first day upon return from deployment and will be completed no later than 180 days from the date the aircraft returns. Maintenance should not exceed 21 calendar days, including all inspection and repair phase tasks.
Evaluations of the plan to monitor goals and objectives	The strategy provides details on the type of information that should be recorded about each of the maintenance inspections for standardization purposes. An information system is used by personnel performing the maintenance tasks to record information on the reset activities performed on the aircraft. Additionally, the strategy requires that these records be monitored to ensure compliance. If records are found to be incomplete, the receiving authority is to assume noncompliance and conduct a reinspection following existing directives or refuse acceptance of the aircraft or equipment until corrective action has been taken.

Source: GAO analysis of FY 2011 Marine Aviation Plan dated September 2010 and Aviation Reset Program Policy dated April 2010.

Marine Corps Is Taking Steps toward a Ground Equipment Reset Strategy, but a Timeline for Issuing the Strategy and the Extent It Will Align with Modernization Plans Are Uncertain

The Marine Corps is taking steps to develop a strategy addressing the reset of ground equipment used in Afghanistan; however, the timeline for completing and issuing this strategy is uncertain. Although Marine Corps officials agreed that a reset strategy for ground equipment will be needed, they stated that they do not plan to issue a strategy until there is a better understanding of the dates for initial and final drawdown of forces from Afghanistan. While more specific and certain drawdown information is desirable and will be needed to firm-up reset plans, the President stated that troops would begin to withdraw in July 2011, working towards a complete transfer of all security operations to Afghan National Security Forces by 2014. The current dates announced by the President are the best available for the purposes of contingency planning and provide a reasonable basis for developing a timeline to complete its reset strategy. In the meantime, Marine Corps officials are taking the following steps toward developing a reset strategy:

- First, the Marine Corps completed a force structure review in early 2011 that is aimed at ensuring the service is properly configured. The force structure review included a determination of equipment reset requirements to support the post-Afghanistan Marine Corps force structure.
- Second, the Marine Corps is currently developing an implementation plan based on the results of the force structure review. A goal of the force structure implementation plan is to ensure that the Marine Corps achieves a restructured force by the time the reset of equipment used in Afghanistan is complete. The focus of this implementation plan is the establishment of the mission-essential tasks and the development of refined tables of equipment in support of those tasks. These refined tables of equipment will determine what equipment the Marine Corps will reset and how the equipment will be reintegrated into nondeployed Marine Corps forces. The Marine Corps plans to issue this force structure implementation plan in summer 2011.
- Third, following issuance of the force structure implementation plan, the Marine Corps plans to develop and issue formal reset planning guidance that informs operating force units and the Marine Corps Logistics Command what equipment they will receive and be responsible for resetting. Specifically, Marine Corps officials stated that the planning guidance is intended to allow Marine Forces Commands, Marine Expeditionary Forces, and Marine Corps Logistics Command to assess their reset maintenance capacity requirements and identify additional support requirements beyond the maintenance

centers' capacity. The officials indicated that the planning guidance would serve as a precursor to a comprehensive reset strategy.

Although the Marine Corps has laid out several steps toward developing its ground equipment reset strategy, it has not specified timelines for completing and issuing either the formal reset planning guidance or its reset strategy or indicated how it plans to take into consideration the current dates announced by the President for withdrawal in its reset strategy for Afghanistan. The reset strategy is necessary to help ensure that life-cycle management governance is provided to key organizations responsible for executing reset, such as the Marine Corps Logistics Command. Until the reset strategy is issued, establishing firm plans for reset may be difficult for the Marine Corps Logistics Command to effectively manage the rotation of equipment to units to sustain combat operations or meet the equipment needs of a newly defined post-Afghanistan Marine Corps force structure. In the absence of a reset strategy, Marine Corps Logistics Command officials told us they cannot issue its supporting order which enables its maintenance centers to effectively begin planning for and phasing in a new maintenance workload.

It is also uncertain to what extent the Marine Corps plans to align its ground equipment reset strategy with its ground equipment modernization plan. The ground equipment modernization plan is used annually to develop future warfighting capabilities to meet national security objectives. Following the plan guides the Marine Corps in the identification, development, and integration of warfighting and associated support and infrastructure capabilities.¹⁴ Marine Corps officials have stated that they plan to establish a link between the reset strategy for Afghanistan and the ground modernization plan. As a basis for evaluating current reset planning for ground equipment used in Afghanistan, we also

¹⁴ The Marine Corps' ground equipment modernization plan is comprised of (1) the Expeditionary Force Development System and (2) the Program Objective Memorandum Marine Air-Ground Task Force Requirements List. The Expeditionary Force Development System guides the identification, development, and integration of warfighting and associated support and infrastructure capabilities for the Marine Air-Ground Task Force. The Program Objective Memorandum Marine Air-Ground Task Force Requirements List prioritizes existing programs and new initiatives for consideration during the next program objective memorandum cycle.

reviewed both the aviation reset strategy for Afghanistan¹⁵ and the ground equipment reset strategy that the Marine Corps developed for Iraq.¹⁶ We found that the aviation reset strategy was directly linked to the aviation equipment modernization plan. For example, the aviation equipment modernization plan outlines the transition for the UH-1N Marine Light Attack Helicopter to the UH-1Y, which should be fully phased in by fiscal year 2015. As part of the reset strategy for the UH-1Y, reset requirements for the maintenance centers associated with this transition have been identified.

In contrast, we found that the Iraq reset strategy for ground equipment contained no direct reference to the service's equipment modernization plans. Marine Corps officials stated that it was unnecessary to include a direct reference to the equipment modernization plan in its Iraq reset strategy because they are indirectly linked through the roles and responsibilities for the Deputy Commandant, Combat Development and Integration. Specifically, the officials noted that the Iraq reset strategy contains a section outlining these roles and responsibilities and that these same roles and responsibilities are included in the Expeditionary Force Development System instruction. However, this indirect linkage does not provide a clear relationship between reset and modernization. A clear alignment of the ground equipment reset strategy for Afghanistan and modernization plan would help to ensure that the identification, development, and integration of warfighting capabilities also factor in equipment reset strategies so that equipment planned for modernization is not unnecessarily repaired. Without a Marine Corps reset strategy for ground equipment used in operations in Afghanistan that includes clear linkages to the modernization plan, the Marine Corps may not be able to effectively plan and execute ground equipment reset in the most efficient manner.

¹⁵ The Marine Corps' aviation modernization plan provides a method to introduce new aircraft and improved capabilities, and to shape the future organization of Marine Corps aviation while maintaining current capability. The Marine Corps' 2011 aviation modernization plan, for example, outlines the service's transition from 13 to 6 manned aircraft.

¹⁶ U.S. Marine Corps, *OIF Ground Equipment Reset Plan* (June 16, 2009).

Differing Definitions for Reset May Result in Inaccurate or Inconsistent Estimates of Total Reset Costs

The total costs of reset estimated by the Marine Corps may not be accurate or consistent because of differing definitions of reset that have been used for aviation and ground equipment. These differing definitions exist because DOD has not established a single standard definition for use in DOD's budget process.¹⁷ Specifically, the Marine Corps does not include aviation equipment procurement costs when estimating total reset costs. According to Marine Corps officials, procurement costs are excluded because such costs are not consistent with its definition of aviation equipment reset. Additionally, Marine Corps officials stated that the definition of reset for aviation equipment is to maintain, preserve, and enhance the capability of aircraft through maintenance activities. This definition, according to Marine Corps officials, does not include procurement funding for the replacement of aviation equipment losses in theater. In contrast, the Marine Corps' definition of reset for ground equipment includes procurement costs to replace theater losses. Reset for all types of equipment as defined by other services (e.g., the Army) also includes procurement costs.

Although the Marine Corps excludes procurement costs when estimating aviation equipment reset costs, we found that the Director of Cost Assessment and Program Evaluation had obtained a procurement cost estimate for Marine Corps aviation equipment as part of its efforts to track reset costs for the department. DOD's Resource Management Decision 700 tasks the Director of Cost Assessment and Program Evaluation with providing annual departmentwide reset updates that (1) outline current-year reset funding needs, (2) assess the multiyear reset liability based on plans for equipment redeployment, and (3) detail deferred reset funding actions. Based on this tasking, the Marine Corps provided total reset costs that included procurement costs for equipment replacement, as well as maintenance costs, for both ground and aviation equipment. The update showed that total reset costs for Marine Corps aviation equipment was approximately \$1.8 billion for fiscal years 2010 through 2012, which includes \$1.4 billion for procurement costs. These reported costs were included in the 2010 DOD Reset Planning Projections annual update prepared by the Director of Cost Assessment and Program Evaluation. We were not able to determine the reasons for this apparent

¹⁷ While the DOD Financial Management Regulation contains several distinct budget categories for various kinds of reset, it does not provide a single definition of reset, as a whole. DOD Financial Management Regulation 7000.14R, volume 12, chapter 23, *Contingency Operations* (Sept. 2007).

inconsistency between what the Marine Corps considers to be valid aviation equipment reset costs (i.e., excludes procurement costs) and what was reported in the 2010 DOD Reset Planning Projections annual update (i.e., includes procurement costs). Navy and Marine Corps officials stated that they were unable to identify any official from the Navy or Marine Corps as the source for providing or producing this total reset cost data for Marine Corp aviation equipment. Therefore, we could not assess the basis for the reported aviation equipment reset costs to determine their accuracy.

DOD's Resource Management Decision 700 also directed the DOD Comptroller to publish a DOD definition of reset for use in the DOD overseas contingency operations budgeting process. DOD's definition of reset was to be submitted by the Comptroller to the Deputy Secretary of Defense for approval by January 15, 2010, well ahead of the Marine Corps' initial submission of its total reset liability, which was due by June 1, 2010. However, a single standard definition of reset for budget purposes has not yet been issued to the services.

We also found that the Marine Corps' definition of aviation reset differs from the definition of reset provided for use in congressional testimony in a January 2007 memorandum from the Deputy Under Secretary of Defense for Logistics and Materiel Readiness to the under secretaries of the military departments. That memorandum states that reset encompasses maintenance and supply activities that restore and enhance combat capability to units and prepositioned equipment that was destroyed, damaged, stressed, or worn-out beyond economic repair due to combat operations by repairing, rebuilding, or procuring replacement equipment. According to the memorandum, the Office of the Secretary of Defense and the services agreed to this definition of reset; the memorandum emphasizes that it is important that all DOD military departments are consistent in the definition of the terms during congressional testimony.

Without a single standard definition for reset for the services to use, the Marine Corps may continue to report its total reset costs for aviation equipment inconsistently. Furthermore, data integrity issues will make it challenging to identify program funding trends within the Marine Corps and among the services for equipment reset. Without accurate reporting of total reset costs for aviation equipment, the level of reset funding the Marine Corps needs to sustain future operations may not be properly communicated to Congress beyond what has been requested for overseas contingency operations. Furthermore, the Office of the Under Secretary of Defense Comptroller, Director of Cost Assessment and

Program Evaluation, and OMB may not have the most reliable aviation equipment reset data for their review and oversight of the Marine Corps' overseas contingency operations budget requests.

Conclusions

With the increased demands current operations have placed on Marine Corps equipment, and at a time when the federal government is facing long-term fiscal challenges, it is important for the Marine Corps to have a reset strategy in place for both ground and aviation equipment used in operations in Afghanistan as well as a standard DOD definition for reset. Reset strategies provide a framework that allows Marine Corps officials to adequately plan, budget, and execute the reset of equipment used in operations in Afghanistan. The reset strategy, and the timing thereof, could be modified if U.S. drawdown plans subsequently change or should the Marine Corps receive more specific and certain drawdown information. However, without specified timelines for completing and issuing either formal reset planning guidance or its reset strategy that also take into consideration the current dates announced by the President for withdrawal—which are the best available for the purposes of contingency planning—the Marine Corps may be unable to effectively manage the rotation of equipment to units to sustain combat operations, or meet the equipment needs of a newly defined post-Afghanistan Marine Corps force structure. Additionally, without a Marine Corps reset strategy for ground equipment used in operations in Afghanistan that includes clear linkages to the modernization plan, the Marine Corps may not be able to effectively plan and execute ground equipment reset in the most efficient manner. Furthermore, the total reset costs provide information that allows the Marine Corps to more efficiently plan and make informed budget decisions and allows Office of the Under Secretary of Defense (Comptroller) and OMB to have oversight. Until DOD establishes a single standard definition for reset for the services to use, DOD and Congress may have limited visibility over the total reset costs for the services. Accurate reporting of total reset costs for aviation equipment would provide Congress with the level of funding the Marine Corps needs to reset all equipment used in operations in Afghanistan at the conclusion of operations. Furthermore, the Office of the Under Secretary of Defense for the Comptroller and for Cost Assessment and Program Evaluation and OMB may lack the visibility needed over the aviation reset funds in their review and oversight of the Marine Corps overseas contingency operations budget requests.

Recommendations for Executive Action

To improve the Marine Corps' ability to plan, budget for, and execute the reset of ground equipment used in Afghanistan, we recommend that the Secretary of Defense direct the Commandant of the Marine Corps to take the following two actions:

- Establish a timeline for completing and issuing formal reset planning guidance and a ground equipment reset strategy for equipment used in Afghanistan that allows operating force units and the Marine Corps Logistics Command to effectively manage equipment reset.
- Provide linkages between the ground equipment reset strategy for equipment used in Afghanistan and equipment modernization plans, including the Expeditionary Force Development System and the annual Program Objective Memorandum Marine Air-Ground Task Force Requirements List.

To improve oversight and ensure consistency in the reporting of total reset costs, we recommend that the Secretary of Defense direct the Office of the Under Secretary of Defense (Comptroller), in coordination with the Office of the Under Secretary of Defense for Cost Assessment and Program Evaluation, the Office of the Under Secretary of Defense for Acquisitions, Technology and Logistics, the services, and the Joint Staff to act on the tasking in the Resource Management Decision 700 to develop and publish a DOD definition of reset for use in the DOD overseas contingency operations budgeting process.

Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD concurred with one of our recommendations and partially concurred with the other two recommendations and provided information on the steps it is taking or plans to take to address them. DOD partially concurred with our recommendation that the Secretary of Defense direct the Commandant of the Marine Corps to establish a timeline for completing and issuing formal reset planning guidance and a ground equipment reset strategy for equipment used in Afghanistan that allows operating force units and the Marine Corps Logistics Command to effectively manage equipment reset. DOD commented that guidance for resetting the force is being developed in its Operation Enduring Freedom Reset Plan, the Operation Enduring Freedom Reset Playbook, and the Marine Air Ground Task Force Integration Plan. However, during the course of our review, the development of a strategy for ground equipment in Afghanistan was in the beginning stages and the Marine Corps did not discuss or provide details regarding the three documents now cited as its guidance for resetting the force. DOD added that the Marine Corps has established a

timeline/estimated date of April 30, 2012, for completing and issuing formal reset planning guidance and a ground equipment reset strategy for equipment used in Afghanistan. While the Marine Corps has provided DOD with a date for completing and issuing this guidance, the Marine Corps does not appear to have established a sequenced timeline, as we recommended. Specifically, DOD's response has both the formal reset planning guidance and the ground equipment reset strategy being issued at the same time. Marine Corps officials stated that the formal reset planning guidance is intended to serve as a precursor to a comprehensive reset strategy that will allow Marine Forces Commands, Marine Expeditionary Forces, and Marine Corps Logistics Command to assess their reset maintenance capacity requirements and identify additional support requirements beyond the maintenance centers' capacity. We believe this guidance will not be useful if it is not issued sufficiently ahead of time to guide the development of the ground equipment reset strategy. Consequently, we disagree with DOD's statement that the Marine Corps does not need further direction to establish a timeline for completing and issuing formal reset planning guidance and a ground equipment reset strategy for equipment used in Afghanistan.

DOD partially concurred with our recommendation that the Secretary of Defense direct the Commandant of the Marine Corps to provide linkages between the ground equipment reset strategy for equipment used in Afghanistan and equipment modernization plans, including the Expeditionary Force Development System and the annual Program Objective Memorandum Marine Air-Ground Task Force Requirements List. DOD commented that it recognizes the importance of providing a linkage between ground equipment reset strategies and equipment modernization plans. Specifically, DOD commented that the Marine Corps plans to outline these linkages in their Operation Enduring Freedom Reset Plan, the Operation Enduring Freedom Reset Playbook, and the Marine Air Ground Task Force Integration Plan, which are currently being developed. While, as previously mentioned, the Marine Corps did not provide specific details regarding the three documents cited above during the course of our review, we believe that including this linkage in these documents would be responsive to our recommendation and will allow the Marine Corps to more effectively and efficiently plan and execute ground equipment reset.

DOD concurred with our recommendation that the Secretary of Defense direct the Office of the Under Secretary of Defense (Comptroller), in coordination with the Office of the Under Secretary of Defense for Cost Assessment and Program Evaluation, the Office of the Under Secretary

of Defense for Acquisitions, Technology and Logistics, the services, and the Joint Staff to act on the tasking in the Resource Management Decision 700 to develop and publish a DOD definition of reset for use in the DOD overseas contingency operations budgeting process. DOD commented that it is developing a definition of reset for use in the overseas contingencies operations budgeting process that will be incorporated into the DOD Financial Management Regulation. However, during the course of our review DOD had not yet taken action to develop a reset definition, which was to have been submitted by the Comptroller to the Deputy Secretary of Defense for approval by January 15, 2010. In addition, DOD commented that in the interim the department is using specific criteria provided by OMB guidance for determining the reset requirements that are overseas contingency operations or base. While OMB has provided guidance for overseas contingency operations budget requests, this guidance does not provide specific direction concerning what constitutes reset. Consequently, DOD recognizes the need for a common definition of equipment reset for budget purposes, but has not met its goal of establishing one. Resource Management Decision 700 established a January 2010 date for approving a common reset definition, and that definition could have been used in developing the department's fiscal year 2012 budget submission. DOD is now developing its fiscal year 2013 budget submission without the benefit of a common definition. Therefore, we disagree with DOD's statement that additional and separate guidance from the Secretary of Defense is not necessary, and believe that additional direction is needed to emphasize that the Under Secretary of Defense (Comptroller), in coordination with the Office of the Under Secretary of Defense for Cost Assessment and Program Evaluation, the Office of the Under Secretary of Defense for Acquisitions, Technology and Logistics, the services, and the Joint Staff should expedite the development and publication of a DOD definition of reset for use in the DOD overseas contingency operations budgeting process. The department's comments are reprinted in appendix III.

We are sending copies of this report to appropriate congressional committees, the Secretary of Defense, and appropriate DOD organizations. In addition, this report will be available at no charge on our website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8365 or solisw@gao.gov. Contact points for our Offices

of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read "William M. Solis".

William M. Solis, Director
Defense Capabilities and Management

List of Addressees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Joseph Lieberman
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Buck McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

Appendix I: Scope and Methodology

To determine the extent to which the Marine Corps has a strategy in place to manage the reset of ground and aviation equipment used in operations in Afghanistan, we obtained and reviewed the Marine Corps reset strategies for ground and aviation equipment used in operations in Afghanistan. Where strategies had not yet been developed, we collected information regarding ongoing reset planning efforts from Marine Corps officials and discussed with them the process used and the factors considered when developing a reset strategy. As a basis for assessing current reset planning efforts for Afghanistan, we also reviewed the reset strategy that the Marine Corps prepared for equipment used in Iraq. We collected written responses and supporting documentation to our inquiries and data requests from Marine Corps officials related to ground and aviation equipment reset strategies. We also discussed with Marine Corps officials the process used and the factors considered when developing these reset strategies. Additionally, we discussed the reset strategies with Marine Corps officials to determine the roles and responsibilities of the maintenance and fleet readiness centers in preparing for equipment requiring reset and determining the appropriate reset strategy.

To determine the extent to which the Marine Corps has developed effective reset strategies for the reset of equipment used in operations in Afghanistan that address the key elements of a comprehensive, results-oriented strategic planning framework, we reviewed and analyzed the ground and aviation equipment reset strategies and supporting guidance documents. Specifically, we analyzed the reset strategies and supporting guidance documents to determine if they included the six key elements of a strategic planning framework. In performing our analysis, we reviewed the strategies to determine if they included, partially included, or did not include each of the six key elements. Through our assessment we determined the guidance documents in addition to the aviation equipment reset strategy that comprises the Marine Corps strategic plan for reset. In addition, to understand the extent to which the Marine Corps aligns its modernization plans with its reset strategies, we interviewed Marine Corps officials to discuss the plans used for modernization and discussed the process for how these plans are incorporated with the strategies for equipment reset.

To assess the Marine Corps' estimates of total reset costs, we obtained and reviewed the Department of Defense's (DOD) Resource Management Decision 700—separate from the budget formulation guidance—tasking the services to provide annual reset cost updates, and the Marine Corps processes for determining total reset costs for ground and aviation equipment. We collected written responses to our inquiries

and data requests from Marine Corps officials about the system they use to determine total reset costs for ground and aviation equipment used in operations in Afghanistan. In addition, we interviewed Marine Corps officials to obtain any information relevant to the system they use to determine total reset costs for equipment used in operations in Afghanistan.

To better understand the Marine Corps reset funding needs for ground and aviation equipment, we requested reset budget data for fiscal year 2009 through fiscal year 2012. We reviewed the budget data obtained and met with Marine Corps officials to discuss the data to ensure that we had a correct understanding of the different budget categories, such as procurement and operations and maintenance. We then analyzed the Marine Corps' reset budgets from fiscal year 2009 through fiscal year 2010 for the reset of ground and aviation equipment to identify any trends in the operations and maintenance and procurement funding categories. We discussed the results of our analysis with Marine Corps officials to determine the rationale for any trends in the funding. We interviewed Office of the Secretary of Defense, Department of the Navy, and Marine Corps officials to obtain information and any guidance documents pertaining to the process used for budget development and budget review and approval. To gain a better understanding of how the Marine Corps is using procurement funding, we reviewed the Marine Corps procurement reset funding appropriated for ground equipment in fiscal year 2010 for the 10 items that had the highest amount of funding.

To determine the reliability of the reset budget data provided for ground equipment from the Global War on Terror Resources Information Database by Marine Corps officials, we assessed the data reliability of the budget data by obtaining and reviewing agency officials' responses on the data reliability questionnaires provided. Based on our review of the Office of the Secretary of Defense and Marine Corps officials' responses to our data reliability questionnaire, we identified any possible limitations and determined the effect, if any, those limitations would have on our findings. We also spoke with agency officials to clarify how the budget data were used and to ensure that we had a good understanding of how to interpret the data for our purposes. We also reviewed the fiscal year 2009 through fiscal year 2012 reset budget data provided to make sure that the formulas in the database were accurate for the data we planned to use. Based on all of these actions, we did not find any areas of concern with the data and we determined that the data used from the Global War on Terror Resources Information Database were sufficiently reliable for our purposes.

To determine the reliability of the reset budget data provided for aviation equipment from the Program Budget Information System, Navy Enterprise Resource Planning system, and the Justification Management System by Navy and Marine Corps officials, we assessed the data reliability of the budget data by obtaining and reviewing agency officials' responses on the data reliability questionnaires provided. Based on our review of Navy and Marine Corps officials' responses to our data reliability questionnaire, we identified any possible limitations and determined the effect, if any, those limitations would have on our findings. We also spoke with agency officials to clarify how the budget data were used and to ensure that we had a good understanding of how to interpret the data for our purposes. Based on all of these actions, we did not find any areas of concern with the data and we determined that the data used from the Program Budget Information System, Navy Enterprise Resource Planning system, and the Justification Management System were sufficiently reliable for our purposes.

To address each of our objectives, we also spoke with officials, and obtained documentation when applicable, at the following locations:

- Office of the Under Secretary of Defense for Acquisitions, Technology and Logistics, Assistant Director of Defense for Material Readiness
- Office of the Secretary of Defense for Cost Assessment and Program Evaluation
- Office of the Under Secretary of Defense (Comptroller)
- Assistant Secretary of the Navy, Financial Management and Comptroller; Navy Financial Management Branch
- Naval Air Systems Command Reset Project Office
- Naval Air Systems Command Comptroller Office
- Naval Air Systems Command Naval Aviation Enterprise War Council
- Headquarters Marine Corps Deputy Commandant for Installations and Logistics
- Headquarters Marine Corps Deputy Commandant for Plans, Policies, and Operations
- Headquarters Marine Corps Deputy Commandant for Marine Corps Combat Development Command
- Headquarters Marine Corps Deputy Commandant for Programs and Resources
- Headquarters Marine Corps Deputy Commandant, Aviation
- Marine Corps Systems Command
- Marine Corps Logistics Command

We conducted this performance audit from November 2010 through August 2011 in accordance with generally accepted government auditing

standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Funding for Marine Corps Equipment Reset

This appendix provides further details on funding for Marine Corps equipment reset for fiscal years (FY) 2009 to 2012. Tables 2 and 3 provide a summary of funds that were budgeted or requested to reset ground and aviation equipment.

Table 2: Marine Corps Ground Equipment Reset Funding, Fiscal Years 2009–2012

(Dollars in billions)				
Reset funding category	FY 2009 (budgeted)	FY 2010 (budgeted)	FY 2011 (requested)	FY 2012 (requested)
Procurement	\$1.4	\$0.4	\$1.5	\$1.1
Ammunition	0.3	0.5	0.4	0.2
Operations and maintenance	0.5	0.4	0.7	0.5
Total reset funding	\$2.2	\$1.3	\$2.6	\$1.8

Source: Budget data provided by Marine Corps Program and Resources officials from the Global War on Terror Resources Information Database.

Table 3: Marine Corps Aviation Equipment Reset Funding, Fiscal Years 2009–2012

(Dollars in millions)				
Reset funding category	FY 2009 (budgeted)	FY 2010 (budgeted)	FY 2011 (requested)	FY 2012 (requested)
Procurement ^a	\$216.2	\$202.3	\$45.5	\$83.4
Operations and maintenance	66.7	57.8	56.1	45.3
Total reset funding	\$282.9	\$260.1	\$101.6	\$128.7

Source: Budget data provided by Marine Corps Aviation officials and Naval Air Systems Command officials from the Program Budget Information System, Navy Enterprise Resource Planning system, and the Justification Management System.

^a We have included procurement funding for the replacement of losses in the aviation equipment table to be consistent with the table for ground equipment. As discussed in the report, the Marine Corps does not consider the replacement of aviation equipment losses to be within its definition of aviation equipment reset.

The Marine Corps' top 10 ground equipment reset procurement items totaled approximately \$365 million and accounted for approximately 90 percent of their total reset procurement funding in fiscal year 2010.

Table 4 provides a summary of the procurement reset funding budgeted for these ground equipment items.

Table 4: Top 10 Marine Corps Ground Equipment Reset Procurement Items That Received Fiscal Year 2010 Funding

(Dollars in millions)		
Rank	Procurement - ground equipment	FY 2010 (budgeted)
1	Medium Tactical Vehicle Replacement	\$105.5
2	155mm Lightweight Towed Howitzer	54.0
3	Logistics Vehicle System Replacement	45.0
4	Tactical Fuel Systems	33.4
5	Radio Systems	32.5
6	Intelligence Support Equipment	23.4
7	Common Computer Resources	23.1
8	Command Post Systems	23.0
9	Family of Tactical Trailers	13.4
10	Repair and Test Equipment	11.7
Total		\$365.0

Source: Budget data provided by Marine Corps Program and Resources officials from the Global War on Terror Resources Information Database.

Appendix III: Comments from the Department of Defense



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-3500

LOGISTICS AND
MATERIEL READINESS

JUL 15 2011

Mr. William M. Solis
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-11-523, "DEFENSE LOGISTICS: Actions Needed to Improve the Marine Corps' Equipment Reset Strategies and the Reporting of Total Reset Costs," dated June 14, 2011 (GAO Code 351552).

The Department partially concurs with the GAO recommendation and appreciates the opportunity to comment on the GAO Draft Report. (Enclosed)

My point of contact in this matter is Mr. John Stankowski. He can be reached at (703) 614-0948.

Sincerely,

A handwritten signature in black ink, appearing to read "AF Estevez".

Alan F. Estevez
Principal Deputy

Enclosure:
As stated

**GAO DRAFT REPORT DATED JUNE 14, 2011
GAO-11-523 (GAO CODE 351552)**

**"DEFENSE LOGISTICS: ACTIONS NEEDED TO IMPROVE THE MARINE
CORPS' EQUIPMENT RESET STRATEGIES AND THE REPORTING OF
TOTAL RESET COSTS"**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: To improve the Marine Corps' ability to plan, budget for, and execute the reset of ground equipment used in Afghanistan, the GAO recommends that the Secretary of Defense direct the Commandant of the Marine Corps to establish a timeline for completing and issuing formal reset planning guidance and a ground equipment reset strategy for equipment used in Afghanistan and allows operating force units and the Marine Corps Logistics Command to effectively manage equipment reset.

DoD RESPONSE: Partially concur. The Department, and more specifically the Marine Corps, understands the importance of publishing formal planning guidance for the reset of ground equipment from Afghanistan. Since the reset of equipment will be challenging, it is critically important that effective processes and policies are enacted swiftly as the Marine Corps balances resources to support ongoing combat operations, re-arms, and repositions forces around the world. Important considerations such as retrograde, reset and reconstitution are being coordinated within the Marine Corps and with other agencies, and formal guidance is being shared with the operating forces and supporting organizations. This guidance for resetting the force is being developed in our Operation Enduring Freedom (OEF) Reset Plan, the OEF Reset Playbook and the Marine Air Ground Task Force (MAGTF) Integration Plan. Although establishing timelines for execution is problematic due to pending decisions regarding the size and pace of redeployment operations, the Marine Corps has established a timeline/estimated completion date of 30 April 2012 for completing and issuing formal reset planning guidance and a ground equipment reset strategy for equipment used in Afghanistan that allows operating force units and the Marine Corps Logistics Command to effectively manage equipment reset. Therefore, the Marine Corps does not require specific direction on this matter.

RECOMMENDATION 2: To improve the Marine Corps' ability to plan, budget for, and execute the reset of ground equipment used in Afghanistan, the GAO recommends that the Secretary of Defense direct the Commandant of the Marine Corps to provide linkages between the ground equipment reset strategy for equipment used in Afghanistan and equipment modernization plans, including the

2

Expeditionary Force Development System and the annual Program Objective Memorandum Marine Air-Ground Task Force Requirements List.

DoD RESPONSE: Partially concur. The Department recognizes the importance of linkage between ground equipment reset strategies and equipment modernization plans. The Marine Corps will outline these linkages in their Operation Enduring Freedom (OEF) Reset Plan, the OEF Reset Playbook, and the Marine Air Ground Task Force (MAGTF) Integration Plan. The development of these documents is currently underway. The OEF Reset Plan will be an overarching policy that guides the planning and execution of important logistical tasks necessary for effective equipment retrograde and reset actions from theater. The OEF Reset Playbook will serve as an equipment item manual for retrograde and reset strategy. It will also identify items that are obsolete, pending upgrade, or pending replacement by newer technologies. In addition, development of the MAGTF Integration Plan will define the parameters in which equipment modernization will occur. And, because the creation of the MAGTF Integration Plan will heavily influence the MAGTF Program Objective Memorandum across the Future Years Defense Program, it will effectively serve as the linkage from the equipment reset strategy to the service modernization plan. The estimated completion date for Marine Corps corrective actions in response to recommendation no. 2 is 30 April 2012. Therefore, separate guidance from the Secretary of Defense is not required.

RECOMMENDATION 3: To improve oversight and ensure consistency in the reporting of total reset costs, we recommend that the Secretary of Defense direct the Office of the Secretary of Defense (Comptroller), in coordination with the office of the Under Secretary of Defense for Cost Assessment and Program Evaluation, the Office of the Under Secretary of Defense for Acquisitions, Technology, and Logistics, the Services, and the Joint Staff to act on the tasking in the Resource Management Decision 700 to develop and publish a DOD definition of reset for use in the DOD overseas contingency operations budgeting process.

DoD RESPONSE: Concur. The Department is developing a definition of reset for use in the overseas contingencies operations (OCO) budgeting process that will be incorporated into the DoD Financial Management Regulation (FMR). In the interim, the Department is using specific criteria provided in OMB guidance for determining the reset requirements that are OCO or base. Additional and separate guidance from the Secretary of Defense on this subject is not necessary at this time.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact	William M. Solis, (202) 512-8365 or solisw@gao.gov
Staff Acknowledgments	In addition to the contact named above, Larry Junek, Assistant Director; Tamiya Lunsford; Stephanie Moriarty; Cynthia Saunders; John Van Schaik; Michael Willems; Monique Williams; and Erik Wilkins-McKee; Tom Gosling; William Graveline; Asif Khan; Thomas McCool; Charles Perdue; Gregory Pugnetti; and William Woods made key contributions to this report.

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